

MINUTES OF MEETING OF BOARD OF PUBLIC WORKS OF NOVEMBER 14, 1934.

The Board of Public Works met in the offices of the Board of Public Works, Union Trust Building, Baltimore, on Wednesday, November 14th, 1934.

Present:

- Albert C. Ritchie, Governor.
- Wm. S. Gordy, Jr., Comptroller.
- John M. Dennis, Treasurer.

Bonds

The Board considered the claim of Baltimore City under the State's appropriation of \$1,500,000, for financing relief bonds, and the following memorandum was ordered incorporated in the Minutes of the meeting.

Adopted November 14, 1934.

MEMORANDUM OF BOARD OF PUBLIC WORKS OF MARYLAND RELATIVE TO BALTIMORE CITY'S CLAIM UNDER STATE APPROPRIATION OF \$1,500,000 FOR FINANCING RELIEF BONDS.

The great need of Baltimore City at the Legislature of 1933 was relief on account of expenditures for unemployment in the city. It was at first believed that \$8,000,000 would suffice for this purpose until the Legislature of 1935 met. The City's credit at that time did not permit it to borrow this much money, and so the City asked the State to raise the money on the State's credit, and advance or loan it to the City, upon the understanding that the City would reimburse the State over a period of years.

Legal and other difficulties arose in connection with this proposition, and then it appeared that \$8,000,000 would not suffice. Finally, Governor Ritchie recommended a plan which the Legislature adopted, under which the State would issue relief bonds to the amount of \$12,000,000, and the City would receive the entire proceeds, with no obligation at all to reimburse the State therefor. These \$12,000,000 State bonds were made a charge on the entire State, and in order to pay interest and amortization there was levied a State tax of 5 cents per annum during the fifteen year life of the bonds.

It was, however, important to relieve the tax payers of the State from an increase of 5 cents in the State tax rate, - which the Governor's Budget had already reduced from 25 cents to 22 cents, - and

it was also necessary to give the people of the counties relief from burdensome county tax levies.

In order to accomplish these two things, Governor Ritchie made extensive cuts in the State Budget, and from the savings there was appropriated \$1,500,000 to the counties for the reduction of their 1934 county tax levies, and there was also appropriated an additional \$1,500,000 intended primarily for the payment of interest and retirement charges accruing in 1934 on the \$12,000,000 State bonds issued for unemployment relief in Baltimore City. Like appropriations were made for 1935. The idea of these appropriations for financing the State bonds was, of course, to relieve the taxpayers of the State in 1934 and 1935 from the 5 cent State levy which the bonds carried.

The first series of these State bonds, \$7,000,000 were issued in August 1933, \$3,000,000 more were issued in February, 1934, and the final \$2,000,000 were issued in August 1934. Because of these varying dates of issue, the funds needed to pay interest and redemption charges on the bonds during the first year, 1934, has been only \$677,000. The Counties received their entire \$1,500,000 for local tax relief during the same year.

The City now claims the difference between the \$677,000 used to finance the State relief bonds in 1934, and the total 1934 appropriation of \$1,500,000. This difference is \$823,000.

The 1934 appropriation on which Baltimore City's claim rests is as follows:

"To payment of interest and principal on bonds issued for Emergency Relief of the unemployed in Baltimore City in accordance with legislation providing therefor, the balance, if any, in the discretion of the Board of Public Works, to be held in the State Treasury (1) for the purpose of future interest payments or the amortization of said bonds, or (2) to be paid through the Board of Public Works for further unemployment relief in Baltimore, and (3) if not needed for that purpose, then for the reduction of direct taxes in the city."

The 1935 budget contains a similar appropriation.

There are certain circumstances which it is proper for the Board of Public Works to note in considering the merits of the City's claim.

The fact that Baltimore City asked the State for a loan, which the City would have to repay, and received instead a grant, assumed by the taxpayers of the entire State, has already been referred to.

Baltimore City has received from the State in cash not only the \$12,000,000 representing the face of the bonds, but also the additional sum of \$747,940, representing premiums on their sale, or \$12,747,940 in all.

The appropriation, as has been seen, is \$1,500,000 flat. Even if Baltimore City can fairly claim the \$823,000 of this appropriation not needed for financing the bonds in 1934, then it can be strongly urged, to say the least, that against this sum there should be charged the \$747,940 premiums on the bonds which has already been paid the city. This would leave a balance of only \$75,060.

Out of the \$12,747,940 Baltimore has received from the State, the City has reimbursed the City Treasury for every dollar advanced or spent by the city on unemployment relief since the beginning in November, 1931. This sum amounted to \$8,391,875, and it has been paid back to Baltimore City by the State out of the proceeds of the State bonds. In Baltimore City, unemployment relief has been paid for by State funds and Federal funds exclusively, and Baltimore City itself has not had to contribute anything out of city funds.

The City cannot contend that it is being unjustly or unfairly discriminated against, if it receives only \$677,000 for 1934 while the counties receive \$1,500,000. This latter sum plus a like sum for 1935, or \$3,000,000 in all, was appropriated for tax relief in the counties for two years only. But the State has provided for and has paid Baltimore City, not \$3,000,000 for two years, but \$12,747,940.

The decrease in the assessable basis of the State is such that it is at least difficult for the Board to foresee whether the 5 cent tax, which must be relied on to carry the State bonds from 1936 until their maturity, will be sufficient for that purpose or not. Recent years have shown a steadily decreasing assessable basis, and the present law calls for a complete reassessment in the counties next year. What the result on tax yields and revenues and on tax delinquencies will be, it is not possible now to estimate. These estimates cannot be made until the next budget is prepared.

The terms of the 1934 Budget appropriation under consideration expressly authorize the Board of Public Works to hold any balance therein for future interest payments or amortization, if the Board, in its discretion, deems that necessary.

The Board of Public Works has previously considered the city's claim informally on several occasions, and has considered it formally today, and the Board has decided that, in view of the above circumstances, and in the exercise of its discretion, it is not justified in recognizing at this time the city's claim.

The Board knows how vital will be the unemployment relief situation confronting the next Legislature. It knows that the demands upon the State will amount to many millions of dollars, and that 85 per cent or perhaps more of the funds made available for relief will go to the unemployed in Baltimore City.

The Board feels that if Baltimore City is entitled to all or any part of the \$1,500,000 appropriation for 1934, over and above the \$677,000 thereof used to finance the State Bonds during 1934, that such sum should be expended, in the discretion of the Board, and as provided in the appropriation, "for further unemployment relief in Baltimore", and in such manner as may best meet the relief needs and conditions in Baltimore City when the same become known.

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The State Purchasing Agent took up with the Board the question of purchasing the shades for the windows of the second floor of the Court of Appeals Building, and was authorized to purchase Venetian shades, payment to be made out of the Contingent Fund of the Board of Public Works.

The Governor took up with the Board the question of payment for services of Mr. Carlyle Barton ~~ren-~~ dered the State in connection with straightening out the State's difficulties with bonding companies, relative to deposits of the State of Maryland in various banks. *mscl.*

The Governor was authorized to take this matter up with Mr. Barton, and it was agreed that the sum of \$7,500.00 would be a reasonable amount for the services rendered. The Governor was authorized to agree to the payment of this amount in discussing the matter with Mr. Barton.

Adjutant General Milton A. Reckord, appeared before the Board and took up the question of completion of the Fifth Regiment Armory. General Reckord stated that he anticipated running short of funds in connection with the work, but stated that if it were possible to get the Baltimore Emergency Relief Commission to cooperate with him by furnishing men for the work the State would be able to save considerable money, and to keep the deficit to a much lower point than would be the case if the Commission were to continue its policy of not furnishing the men for the work.

It was arranged that a meeting would be held in the

Governor's office on November 20th, at two P.M., to which Mr. Healy and Mr. Hopkins of the Baltimore Emergency Relief Commission would be invited, and at which meeting the question of having men for the work supplied by the Baltimore Emergency Relief Commission would be discussed and decided.

There being no further business, the meeting adjourned.

Joseph C. McClusker
Secretary.